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Macroeconomic policy questions: international financial system and development

Draft resolution submitted by the Vice-Chair of the Committee, Mr. Stefano Stefanile (Italy), on the basis of informal consultations on draft resolution A/C.2/67/L.24

International financial system and development

The General Assembly,

Recalling its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, both entitled "Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity", as well as its resolutions 57/241 of 20 December 2002, 58/202 of 23 December 2003, 59/222 of 22 December 2004, 60/186 of 22 December 2005, 61/187 of 20 December 2006, 62/185 of 19 December 2007, 63/205 of 19 December 2008, 64/190 of 21 December 2009, 65/143 of 20 December 2010 and 66/187 of 22 December 2011,

Recalling also the United Nations Millennium Declaration[1] and its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development,[2] the Rio Declaration on Environment and Development,[3] Agenda 21,[4] the Programme for the Further

[1] See resolution 55/2.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I, *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex I.

[4] Ibid., annex II.

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Implementation of Agenda 21,[5] and the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"),[6]

Recalling further the Doha Declaration on Financing for Development, the outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008,[7]

Recalling the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,[8]

Recalling also the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals and its outcome document,[9]

Recalling further the United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, from 20 to 22 June 2012 and its outcome document, entitled "The future we want",[10]

Recognizing the work undertaken by the Ad Hoc Open-ended Working Group of the General Assembly to follow up on the issues contained in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development, and taking note of its progress report,[11]

Recalling the high-level thematic debate of 17 and 18 May 2012 on the state of the world economy and finance and its impact on development, convened by the President of the General Assembly to contribute to the consultations among Member States regarding the follow-up process of the outcomes of the Conference on the World Financial and Economic Crisis and Its Impact on Development,

Expressing deep concern about the ongoing adverse impacts of the world financial and economic crisis, particularly on development, cognizant that the global economy, notwithstanding significant efforts, remains in a challenging phase with elevated downside risks, including turbulence in global financial and commodity markets, high unemployment and indebtedness in several countries and widespread fiscal strains, which threaten the global economic recovery and reflect limited progress towards sustaining and rebalancing global demand, and stressing the need to continue to address the systemic fragilities and imbalances and the need for continued efforts to reform and strengthen the international financial system,

Noting that, while some developing countries have been the main contributors to recent global economic growth, the economic crisis has reduced their capacity to withstand further shocks, recalling the commitments made to support strong, sustainable, balanced and inclusive growth, and reaffirming the need to work cooperatively to meet development commitments to achieve the Millennium Development Goals by 2015,

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[5] Resolution S-19/2, annex.

[6] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[7] Resolution 63/239, annex.

[8] Resolution 63/303, annex.

[9] See resolution 65/1.

[10] Resolution 66/288, annex.

[11] A/64/884.

Recalling the commitment to work in solidarity on a coordinated and comprehensive global response to the ongoing adverse impacts of the world economic and financial crisis on development and to undertake actions aimed at, inter alia, restoring confidence, sustaining economic growth, and creating full and productive employment and decent work for all,

Reaffirming the purposes of the United Nations, as set forth in its Charter, including to achieve international cooperation in solving international problems of an economic, social, cultural or humanitarian character, and to be a centre for harmonizing the actions of nations in the attainment of common ends, and reiterating the need to strengthen the leadership role of the United Nations in promoting development,

Recognizing that the international financial system should support sustained, inclusive and equitable economic growth, sustainable development, job creation and efforts to eradicate poverty and hunger in developing countries, while allowing for the coherent mobilization of all sources of financing for development,

Recalling the Fourth United Nations Conference on the Least Developed Countries and the Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-2020,[12] and recognizing, in this context, that the international financial institutions should be supportive, in accordance with their mandates, of the special needs and priorities of the least developed countries,

Stressing the importance of commitment to ensuring sound domestic financial sectors, which make a vital contribution to national development efforts, as an important component of an international financial architecture that is supportive of development,

1. *Takes note* of the report of the Secretary-General;[13]

2. *Recognizes* the need to continue and intensify efforts to enhance the coherence and consistency of the international monetary, financial and trading systems, and reiterates the importance of ensuring their openness, fairness and inclusiveness in order to complement national development efforts to ensure sustained, inclusive and equitable economic growth and the achievement of the internationally agreed development goals, including the Millennium Development Goals;

3. *Stresses* the need to act decisively to tackle the challenges confronting the global economy in order to ensure balanced, sustainable, inclusive and equitable global growth with full and productive employment and quality jobs, and also stresses the need for significant mobilization of resources from a variety of sources and the effective use of financing in order to promote full and productive employment and decent work for all;

4. *Notes* the important efforts undertaken nationally, regionally and internationally to respond to the challenges posed by the financial and economic crisis, and recognizes that more needs to be done in order to promote the economic recovery, to address turbulence in global financial and commodity markets, to tackle high unemployment and indebtedness in several countries, as well as widespread

[12] *Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9-13 May 2011* (United Nations publication, Sales No. 11.II.A.1), chap. II.

[13] A/67/187.

fiscal strains, to reinforce the banking sector, including by increasing its transparency and accountability, to address systemic fragilities and imbalances and to reform and strengthen the international financial system;

5. *Notes* the initiative of the Government of the Republic of Kazakhstan to host an international conference in Astana from 22 to 24 May 2013 entitled "World Anti-Crisis Conference: effective countermeasures to global uncertainty and economic downturns";

6. *Recognizes* the need for continued and enhanced coordination of financial and economic policies at the international level to tackle pressing financial and economic challenges;

7. *Notes* that the United Nations, on the basis of its universal membership and legitimacy, provides a unique and key forum for discussing international economic issues and their impact on development, and reaffirms that the United Nations is well positioned to participate in various reform processes aimed at improving and strengthening the effective functioning of the international financial system and architecture, while recognizing that the United Nations and the international financial institutions have complementary mandates which make the coordination of their actions crucial;

8. *Recalls*, in this regard, the resolve to strengthen the coordination of the United Nations system and multilateral financial, trade and development institutions so as to support economic growth, poverty eradication, job creation and sustainable development worldwide, on the basis of a clear understanding of and respect for their mandates and governance structures;

9. *Also recalls* that countries must have the flexibility necessary to implement countercyclical measures and to pursue tailored and targeted responses to the crisis, and calls for conditionalities to be streamlined to ensure that they are timely, tailored and targeted and that they support developing countries in the face of financial, economic and development challenges;

10. *Notes*, in this regard, the increase in resources and the improvement of the lending framework of the International Monetary Fund through, inter alia, streamlined conditions and the creation of more flexible instruments, such as a precautionary and liquidity line, a flexible credit line and a rapid financing instrument, while also noting that new and ongoing programmes should not contain unwarranted procyclical conditionalities;

11. *Urges*, in this regard, the multilateral development banks to continue to move forward on flexible, concessional, fast-disbursing and front-loaded assistance that will substantially and quickly assist developing countries facing financing gaps in their efforts to achieve the Millennium Development Goals, taking into consideration the individual absorptive capacities and debt sustainability of those countries;

12. *Recognizes* the role of private capital flows in mobilizing financing for development, stresses the challenges posed by excessive short-term capital inflows to many developing countries, notes that the design and implementation of capital flow management measures to address these challenges, such as macroeconomic policies, macroprudential measures and other forms of capital account regulations, need to take into account the specific circumstances of individual countries, and

requests the Secretary-General to consider benefits and disadvantages of these measures in preparing his report on the implementation of the present resolution;

13. *Reaffirms* the importance of broadening and strengthening the participation of developing countries in international economic decision-making and norm-setting, takes note, in this regard, of the important steps taken on the reform of the governance structures, quotas and voting rights of the Bretton Woods institutions, which go in the direction of better reflecting current realities and enhancing the voice, the participation and the voting rights of developing countries, and recognizes the importance to continue such reform processes in an ambitious and expeditious manner in order to deliver more effective, credible, accountable and legitimate institutions;

14. *Notes*, in this regard, the decisions taken by the World Bank Group on voice and participation and further institutional reforms to meet new challenges, and the addition of the twenty-fifth Chair to the Boards of Executive Directors of the World Bank Group, and looks forward to progress in its institutional reforms;

15. *Calls* for the swift implementation of the 2010 quota and governance reform of the International Monetary Fund, and stresses the importance of the comprehensive review of the International Monetary Fund quota formula, to be completed by January 2013;

16. *Recognizes* the importance of an open, transparent and merit-based process for selecting the heads of the international financial institutions, including the Bretton Woods institutions;

17. *Emphasizes* the need for more effective government involvement in order to ensure an appropriate regulation of the market, which promotes the public interest, and recognizes, in this regard, the need to better regulate financial markets, to promote economic stability and sustained, equitable and inclusive growth;

18. *Recognizes* the role of special drawing rights as an international reserve asset, acknowledges that special drawing rights allocations helped to supplement international reserves in response to the world financial and economic crisis, thus contributing to the stability of the international financial system and global economic resilience, also recognizes the need to continue regular reviews of the role of special drawing rights, including with reference to their potential role in the international reserve system, and requests the Secretary-General to take this into account while preparing his report on the implementation of the present resolution;

19. *Reiterates* that effective, inclusive multilateral surveillance should be at the centre of crisis prevention efforts, and stresses the need to continue strengthening surveillance of the financial policies of countries;

20. *Stresses* in this regard the need to strengthen intergovernmental and independent surveillance of national financial policies and their impact on international interest rates, exchange rates and capital flows;

21. *Invites* the international financial and banking institutions to continue to enhance the transparency of risk-rating mechanisms, noting that sovereign risk assessments made by the private sector should maximize the use of strict, objective and transparent parameters, which can be facilitated by high-quality data and analysis, and encourages relevant institutions, including the United Nations

Conference on Trade and Development, to continue their work on the issue, including its potential impact on the development prospects of developing countries;

22. *Calls upon* the multilateral, regional and subregional development banks and development funds to continue to play a vital role in serving the development needs of developing countries and countries with economies in transition, including through coordinated action, as appropriate, stresses that strengthened regional development banks and subregional financial institutions can add flexible financial support to national and regional development efforts, thus enhancing their ownership and overall efficiency, welcomes, in this regard, recent capital increases at multilateral and regional development banks, and, in addition, encourages efforts to ensure that subregional development banks are adequately funded;

23. *Encourages* enhanced regional and subregional cooperation, including through regional and subregional development banks, commercial and reserve currency arrangements and other regional and subregional initiatives;

24. *Stresses* the need to continuously improve standards of corporate and public sector governance, including those related to accounting, auditing and measures to ensure transparency, noting the disruptive effects of inadequate policies;

25. *Decides* to convene at its sixty-eighth session a separate meeting of the Second Committee under the item entitled "Macroeconomic policy questions" to discuss actions in response to the world financial and economic crisis and its impact on development and prospects for restoring confidence and economic growth, as a further contribution to the follow-up to the Conference on the World Financial and Economic Crisis and Its Impact on Development;

26. *Requests* the Secretary-General to submit to the General Assembly at its sixty-eighth session a report on the implementation of the present resolution, to be prepared in cooperation with the Bretton Woods institutions and other relevant stakeholders;

27. *Decides* to include in the provisional agenda of its sixty-eighth session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "International financial system and development".